SUMMARY

DIAMBI ZIARADIA LEONALDI. Arbitrage Pricing Theory As Investment Decision Making Tools: Case on Indonesian Mining Companies. Supervised by NOER AZAM ACHSANI and BAMBANG JUANDA.

Global energy commodities prices such as crude oil, liquid natural gas, and coal, are key factors determining energy mining firms. The decline of global energy prices within the last six years led to the decline of Indonesian energy mining firm performances and stock prices. This condition increase investment risk due to uncertainty in energy mining subsector. Therefore, an investment decision making tools in energy mining subsectors are required.

This research are quantitative research using Arbitrage Pricing Theory approach through weighted panel cross section seemingly unrelated regression. Eleven firms had been chosen as sample within six-year observation period of 2011-2016. This research regressing six independent variable, six dummy variable, and 16 variable interaction to create price predicting model and further analysis on return.

The research shows that there are 7 out of 28 variable has no significant impact to firms stock price. Result from price predicting model shows that there's still a big gap between predicted price and actual price. This makes the model are difficult to indicate any investment action. On return analysis, this research found return movement pattern through overpricing and underpricing moment. On overpricing moment, negative return tend to occurred, therefore short position could be taken. On the contrary, on underpricing moment, positive return tend to occurred, therefore long position are to be advised.

Keywords: Arbitrage pricing theory, investment, overpricing, mining, Underpricing